

1996 - 2002 FARM BILL PROVISIONS

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1996 - 2002 Farm Bill Provisions

Federal Agriculture Improvement and Reform Act of 1996

(FAIR Act of 1996)

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- Most extensive farm policy change
 - Safety net concerns
 - Recognizes Administration's policy priorities
 - Conservation Resources
 - Rural Infrastructure
 - Trade Development
 - Research
 - Fund for Rural America
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New Terms

- AMTA = Agricultural Market Transition Act
Program
- PFC = Production Flexibility Contracts
- Marketing Assistance Loans

New Definitions

- Contract Acreage = Crop Acreage bases established for 1996 - crops
- Contract Commodities = Wheat, Corn, Sorghum, Barley, Oats, Upland Cotton and Rice
- Loan Commodity = Contract commodities plus, extra long staple cotton and oilseeds (soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, and mustard seed)

Production Flexibility Contracts (PFC)

- Contract Term: 7 years (*obligates a fix annual payment on the farm*)
- Sharing of Payments: Can change annually based on rental agreements
- Sign up Period: May 20 - July 12
- **NOTE:** *This is a "ONE-TIME" Only sign up period. If you miss this period there is no opportunity to get into the program later.*
- **Exception:** CRP contracts that expire or are voluntarily terminated after August 1, 1996.
- **Contract Eligibility:** Farms with 1996 crop acreage bases.
(Farms with established rotations will be averaged)

PFC Compliance Parameters

- Producers must agree in exchange for annual contract payments, to:
 - comply with highly erodible land (HEL) requirements
 - comply with wetland protection requirements
 - comply with planting flexibility limitations, and
 - use contract land for agricultural purposes

Eligible Producers

- An owner who assumes all or part of the risk of producing a crop.
- A producer (other than an owner) with a share-rent lease, regardless of length, if owner also signs contract.
- A producer (other than an owner) who cash rents under a lease expiring after 9/30/02, in which case owner is not required to sign contract.

Eligible Producers *(continued)*

- A producer (other than an owner) who cash rents under a lease that expires before 9/30/02. The owner's signature is not needed on the contract unless less than 100% of the contract commodities on the farm are being enrolled.
 - An owner who cash rents and lease expires before 9/30/02, if the tenant declines entry into a contract. Contract payment under this situation will begin after the tenant's lease ends.
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Division of Payments

- Provide adequate safeguards to protect interests of tenants and share croppers.
- Provide for sharing of contract payments among producers on a fair and equitable basis.
- State “tenancy laws” must be followed.

Division of Payments (*General Rules*)

1. An owner is not entitled to PFC payments, if the entire farm is cash leased.
2. If the crop is share rented, PFC payments must be shared.
3. When a lease expires and no crops are planted or the owner plants contract acreage to grass or forage, such owner can receive 100% of payment if control of farm is maintained by owner.

Division of Payments (*General Rules*)

4. If owner and other producers on the farm cannot agree, the county FSA Committee shall settle the disagreement using these general parameters:
 - If crop share, base on cash rent value
 - Use past division of payments
 - Determine shares that reflect changes on the farm from high to low, or low to high input crops
5. Generally, if owner and other producers on the farm can agree to a payment division, the contract can be approved.

Exception: Owner cannot receive 100% of payment if crops are share leased.

Other PFC Provisions

- Violations of Contract
- Relief authority
- Voluntary reduction in contract acreage
- Succession-In Interest
- Contract Withdrawals

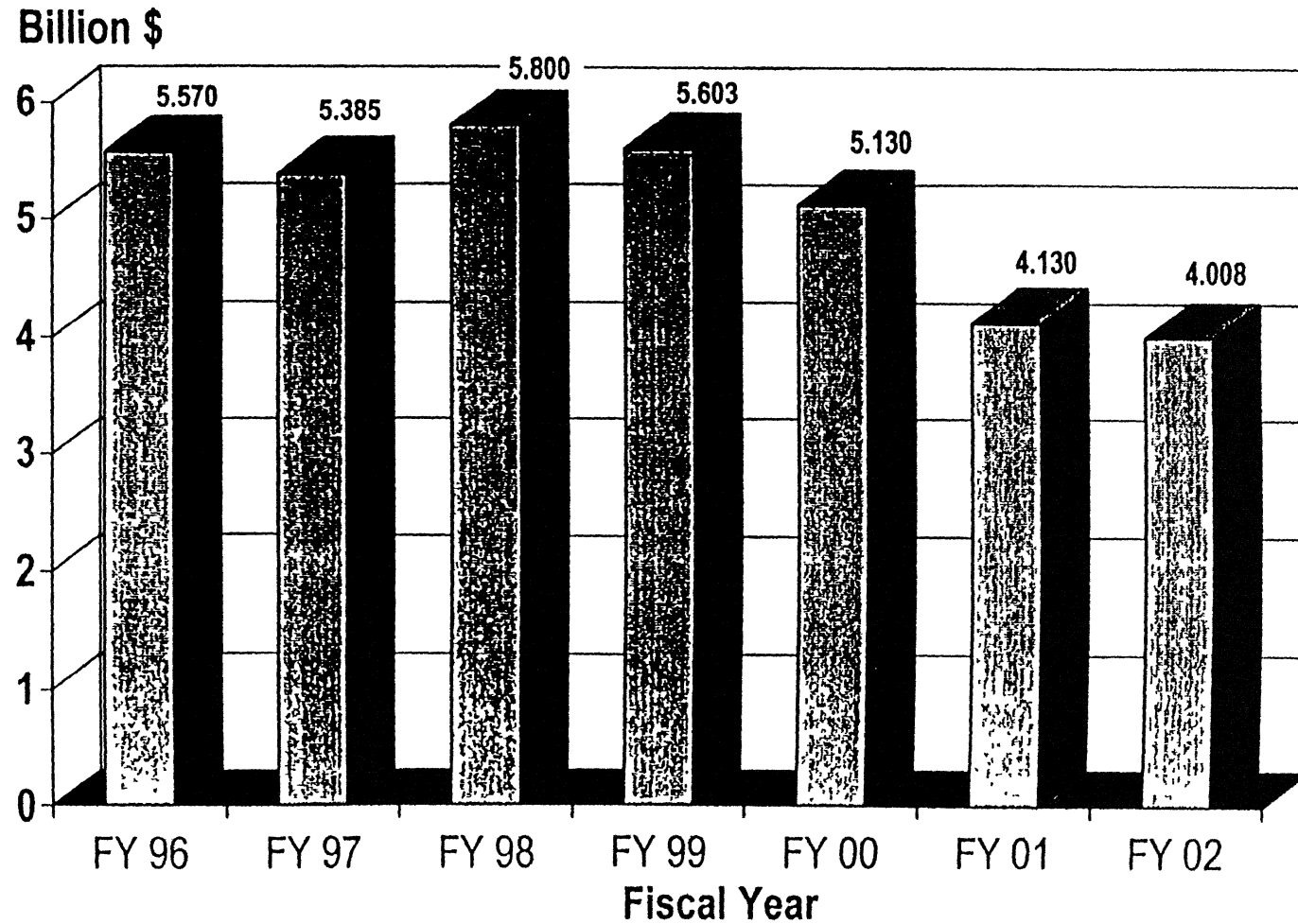
PFC Payments

- Advance Payments (50%)
 - 1996 Crops - Within 30 days after PFC entered into and approved.
 - 1997 - 02 Crops - Producer option, either on December 15 or January 15.
- Final Payments (all commodities)
 - NLT September 30 each year

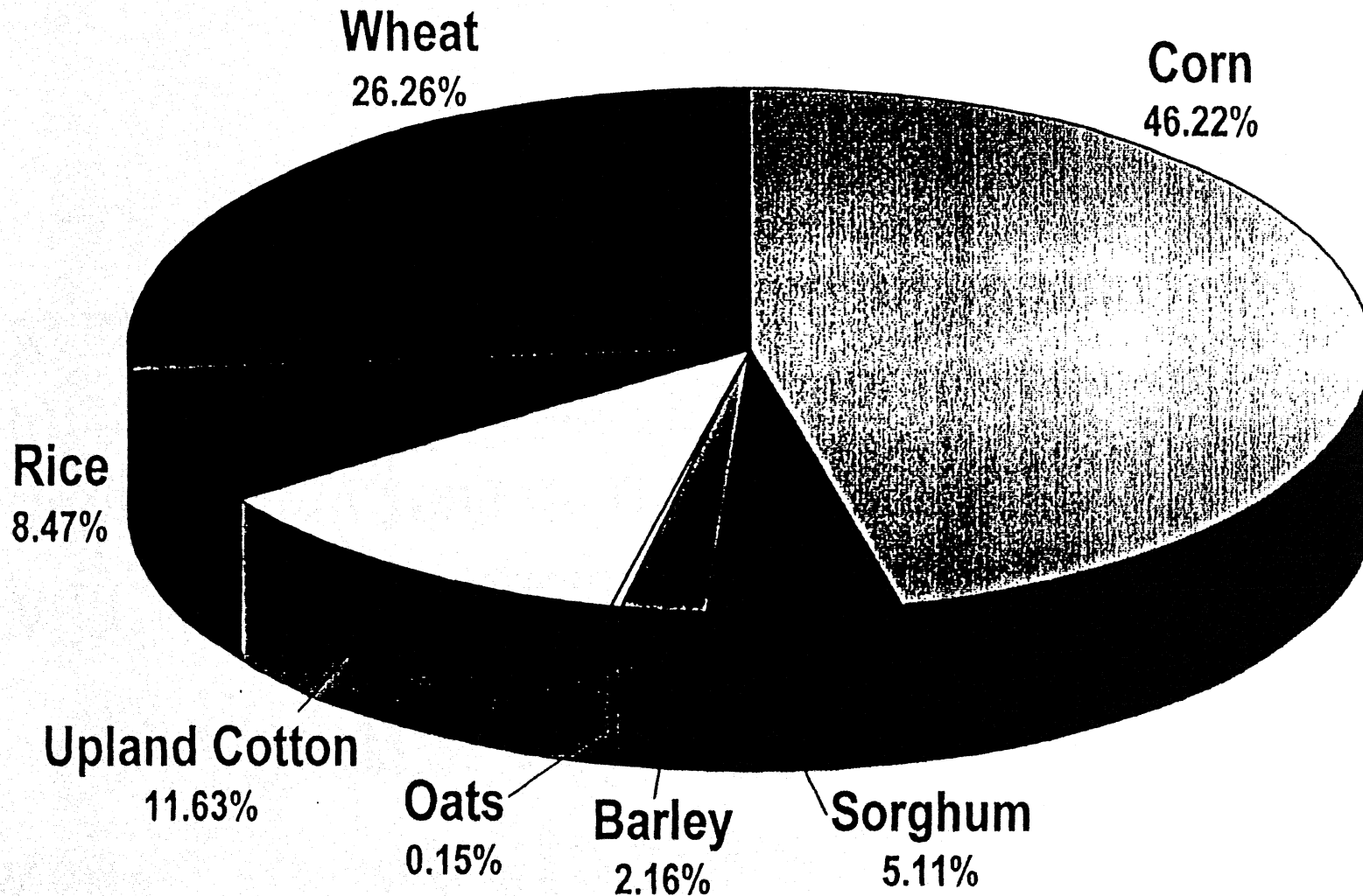
PFC Annual Payment Amounts

	<u>Billion \$</u>
FY 96 -	5.570
FY 97 -	5.385
FY 98 -	5.800
FY 99 -	5.603
FY 00 -	5.130
FY 01 -	4.130
FY 02 -	4.008

PFC Annual Payment Amounts



Commodity Allocation Percentages



Adjustments

(Commodity Allocations)

- Add 1995 crop deficiency overpayment amounts
- Subtract any 1994 or 1995 wheat, feed grains and upland cotton deficiency payments paid in FY 96
- Rice: For FY 97 - 02 add \$8.5 million annually

Estimated PFC Payment Rates

(Minimum Levels)

	FY 96 ^{1/}	FY 97	FY 98 - 02 Ave.
Wheat (\$/bu)	.87	.61	.55
Corn (\$/bu)	.24	.47	.31
Sorghum (\$/bu)	.43	.39	.36
Barley (\$/bu)	.32	.25	.21
Oats (\$/bu)	.03	.03	.02
Upland Cotton (c/lb)	.0906	.0740	.0671
Rice (\$/cwt)	2.78	2.74	2.51

^{1/} Includes add on reflecting 1995 crop deficiency overpayments (excluding rice)

FY 1996 PFC Payments

	Fixed Payment Amount <u>1/</u>	1995 - Crop Overpayment Amount <u>2/</u>	Offset Amount <u>3/</u>	Net Producer Payment
Wheat (\$/bu)	.62	.25	.35	.52
Corn (\$/bu)	.24	. 13 0	. 13 0	. 13 24
Cotton (\$/lb)	.0775	.131	.0185	.0721

1/ Subject to \$40,000 limit

2/ Cannot exceed \$50,000

3/ 1995 crop overpayment set off amount, if not refunded before the 9/30/96 payment is made.

PFC Payment Calculation

85% x (1996 CAB) x program payment yield =
payment quantity x payment rate = PFC payment amount

Example: Wheat 100 Ac. CAB x .85 x 34 bu x \$0.94 = \$2717

Payment Limitations

- \$40,000
- 3-entity rule
- Actively engaged

Planting Flexibility

- Permitted crops: Any commodity or crop may be planted on the farm.
- Limitations: Fruit and vegetables (other than lentils, mung beans, and dry peas) are prohibited on contract acreage.

Planting Flexibility *(continued)*

- Fruit & Vegetable Exceptions
 1. In a designated region with a history of double-cropping contract commodities with fruit and vegetables.
 2. On a farm having a history of planting fruits and vegetables, except when planted on contract acres each acre planted will result in a one acre payment reduction.
 3. A producer having a specific fruit or vegetable planting history (1991 thru 1995) contract acreage with a corresponding reduction in contract payment acreage.
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Planting Flexibility Examples ⁽¹⁾

Farm plants 100 acres of each contract commodity.

Corn Contract Ac Wheat Contract Ac Other Cropland

100 acres corn	100 acres wheat	50 acres potatoes ----- 50 acres soybeans
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Acres:			
	Planted	Payment	Eligible for Loan
Corn	100	85	100
Wheat	100	85	100
Potatoes	50	---	---
Soybeans	50	---	50

Planting Flexibility Examples (2)

Farm plants entire farm to corn.

Corn Contract Ac Wheat Contract Ac Other Cropland

100 acres corn	100 acres corn	100 acres corn
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Acres:			
	Planted	Payment	Eligible for Loan
Corn	300	85	300
Wheat	0	85	0
Potatoes	0	---	---
Soybeans	0	---	0

Planting Flexibility Examples (3)

Farm is left idle (with weed control).

Corn Contract Ac Wheat Contract Ac Other Cropland

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Acres:			
	Planted	Payment	Eligible for Loan
Corn	0	85	0
Wheat	0	85	0
Potatoes	0	---	---
Soybeans	0	---	0

Planting Flexibility Examples (4)

Farm plants 150 acres of potatoes, 50 of which are on contract acres.

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres corn	100 acres wheat ----- 100 acres potatoes	100 acres potatoes

Acres:			
	Planted	Payment	Eligible for Loan
Corn	100	60	100
Wheat	50	60	50
Potatoes	150	---	---

Marketing Assistance Loans

- All “loan commodity” production on farm eligible
- Reconstitution of farms
- Interest rate: 1% above cost of borrowing from Treasury
- Term of Loan: 10 months including month disbursed
- Loan deficiency payments
- High moisture recourse loans on feed grains and seed cotton

1996 Crop Loan Levels

	\$/bu		\$/lb
Wheat	2.58	Upland Cotton	51.2
Corn	1.89	ELS Cotton	79.5
Sorghum	1.81		\$/cwt
Barley	1.55	Minor Oilseeds	8.91
Oats	1.03	Rice	6.50
Soybeans	4.97		

Dairy Program

- | | | \$/cwt |
|------------------|------|--------|
| • Price Support: | 1996 | 10.35 |
| | 1997 | 10.20 |
| | 1998 | 10.05 |
| | 1999 | 9.90 |
- 2000 - 2002: Recourse loan for processors at \$9.90/cwt
 - Dairy Assessment: Terminated as of May 1 (Refunds)
 - Consolidation and Reform of Federal Milk Marketing Orders
 - Northeast Interstate Dairy Compact
 - Dairy Export Incentive Program
 - Export Trading Companies
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Peanut Program

- Price Support: Quota \$610/ton
 Additional \$132/ton
- National Quota Level:
 - 1,350,000 tons minimum eliminated
 - 1996 Crop Level: 1,100,000 tons
- Offers from Handlers
- Eliminates Undermarketings
- Sale and Lease Authority Expanded
- Transfer of Quota from Ineligible Farms

Sugar Program

- Eliminates Allotments
- Recourse/Non Recourse Loan Program
- Loan Levels: Cane .18 (raw)
(cents/lb) Beet .229 (refined)
- Marketing Assessment: Increased 25%
- GATT Loan Adjustment

Other Commodity Changes

- Suspends: 1) 1938/1949 Act Permanent Law
 (1996 - 2002 crops) 2) Farmer Owned Reserve
 3) Livestock Feed Program
- Repeals: 1) Acreage Reduction Authority
 2) Land Diversion Authority
- Creates: Commission on 21st Century
 Production Agriculture

Risk Management (*Crop Insurance*)

- Creates independent Office of Risk Management
- Delivery of CAT coverage
- Waiver of mandatory linkage
- Grace period (4 weeks) for 1996 spring-planted crops to purchase CAT or cancel
- Noninsured Crop Assistance Program (NAP)

Conservation

- Conservation Compliance Plans:
 - 1) HEL
 - 2) Swampbuster
- USDA Partnership (FSA/NRCS)
- Delineation of Wetlands

Conservation *(continued)*

- CRP: 1) New Enrollment (36.4 mil. ac.)
2) Early Termination
 - Effective Date: 60 days
 - Land Exempted:
 - a) EI more than 15
 - b) Filter strips, waterways, riparian areas, windbreaks, shelter/belts
 - c) Useful life easements, shallow water areas and wetlands
 - WRP: 1) Enrollment (975,000 acres)
2) Easements:
 - a) 1/3 Permanent
 - b) 1/3 30-year
 - c) 1/3 Restoration Cost-Share
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Conservation *(continued)*

- EQIP (Environmental Quality Incentives Program)
 - 1) Combines ACP, GPCP, WQIP & Colorado Salinity
 - 2) Authorizes \$200 million per year
 - 3) Implementation 180 days
 - 4) Cost Share, Incentive Payments & Technical Assistance
 - 5) Land/Livestock split
 - 6) Payment Limits:
 - a) \$10,000/yr.
 - b) \$50,000 multi year

Conservation *(continued)*

- Conservation Farm Option (CFO)
- Floodplain Easements
- Flood Risk Reduction
- Wildlife Habitat Incentives Program
- Farmland Protection Program

PLANTING FLEXIBILITY

- **Permitted Crops:**

Any commodity or crop may be planted on the farm.

- **Limitations:**

Fruits and vegetables (excluding lentils, mung beans, and dry peas) are prohibited on contract acres (with 3 exceptions).

PLANTING FLEXIBILITY *(continued)*

- **Fruit and Vegetable Exceptions on Contract Acres:**
 - 1) In a designated region with a history of double-cropping contract commodities with fruits and vegetables [no loss of payments].
 - 2) On a farm with a history of planting fruits and vegetables [with acre-for-acre loss of payments].
 - 3) A producer with a history of planting a specific fruit or vegetable for 1991-1995 [with acre-for-acre loss of payments].
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PLANTING FLEXIBILITY *(continued)*

- **No planting restrictions on noncontract acres.**
- **No haying and grazing restrictions (except on CRP).**
- **No restrictions on alfalfa.**

PLANTING FLEXIBILITY EXAMPLES

SAMPLE FARM: 300 acres of cropland
 100 contract acres of corn
 100 contract acres of wheat
 100 acres of other cropland
 50 acre history of planting potatoes

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres corn	100 acres wheat	50 acres potatoes
		50 acres soybeans

PLANTING FLEXIBILITY EXAMPLES (1)

Farm plants 100 acres of each contract commodity.

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres corn	100 acres wheat	50 acres potatoes
		50 acres soybeans

CASE 1	Acres:		
	Planted	Payment	Eligible for Loan
Corn	100	85	100
Wheat	100	85	100
Potatoes	50	---	---
Soybeans	50	---	50

PLANTING FLEXIBILITY EXAMPLES (2)

Plants entire farm to corn.

Corn Contract Ac Wheat Contract Ac Other Cropland

100 acres corn	100 acres corn	100 acres corn
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CASE 2	Acres:		
	Planted	Payment	Eligible for Loan
Corn	300	85	300
Wheat	0	85	0
Potatoes	0	---	---
Soybeans	0	---	0

PLANTING FLEXIBILITY EXAMPLES (3)

Farm left idle (with weed control).

Corn Contract Ac Wheat Contract Ac Other Cropland

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CASE 3	Acres:		
	Planted	Payment	Eligible for Loan
Corn	0	85	0
Wheat	0	85	0
Potatoes	0	---	---
Soybeans	0	---	0

PLANTING FLEXIBILITY EXAMPLES (4)

Plants entire farm to sorghum.

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres sorghum	100 acres sorghum	100 acres sorghum

CASE 4	Acres:		
	Planted	Payment	Eligible for Loan
Corn	0	85	0
Wheat	0	85	0
Sorghum	300	0	300
Potatoes	0	---	---

PLANTING FLEXIBILITY EXAMPLES (5)

Farm plants 50 acres each of potatoes and dry beans.

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres corn	100 acres wheat	50 acres potatoes
		50 acres dry beans

CASE 5	Acres:		
	Planted	Payment	Eligible for Loan
Corn	100	85	100
Wheat	100	85	100
Potatoes	50	---	---
Dry Beans	50	---	---

PLANTING FLEXIBILITY EXAMPLES (6)

Farm plants 150 acres of potatoes, 50 of which are on contract acres.

Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres corn	50 acres wheat	100 acres potatoes
	50 acres potatoes	

CASE 6	Acres:		
	Planted	Payment	Eligible for Loan
Corn	100	*	100
Wheat	50	*	50
Potatoes	150	---	---
Soybeans	0	---	0

PLANTING FLEXIBILITY EXAMPLES (7)

Plants entire farm to tomatoes.

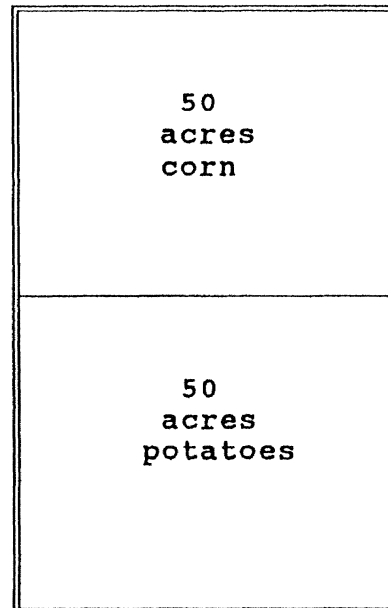
Corn Contract Ac	Wheat Contract Ac	Other Cropland
100 acres tomatoes	100 acres tomatoes	100 acres tomatoes

CASE 7	Acres:		
	Planted	Payment	Eligible for Loan
Corn	0	0	0
Wheat	0	0	0
Tomatoes	300	---	---
Potatoes	0	---	---

PLANTING FLEXIBILITY EXAMPLES (8)

Producer plants 50 acres of potatoes on contract acres
on farm without a history.

Corn Contract Ac



CASE 8	Acres:		
	Planted	Payment	Eligible for Loan
Corn	50	35	50
Potatoes	50	---	---

PLANTING FLEXIBILITY EXAMPLES (9)

Producer plants 51 acres of potatoes on contract acres
on farm without a history.

NOTE: This is a violation of the Production Flexibility Contract.

Corn Contract Ac

49 acres corn
51 acres potatoes

CASE 9	Acres:		
	Planted	Payment	Eligible for Loan
Corn	49	*	*
Potatoes	51	---	---

PLANTING FLEXIBILITY EXAMPLES (10)

Producer plants 1 acre of dry beans on contract acres
on farm without a history.

NOTE: This is a violation of the Production Flexibility Contract.

Corn Contract Ac

99
acres
corn

1 ac Dry Beans

CASE 10	Acres:		
	Planted	Payment	Eligible for Loan
Corn	99	*	*
Dry Beans	1	---	---

CONSERVATION RESERVE PROGRAM (CRP)

- Authorizes CRP through 2002 at current level of 36.4 million acres.
 - Rental rates no higher than prevailing local market rates.
 - Permits early termination of contracts.
 - Reduces land ownership requirement prior to enrollment from 3 years to 1 year.
 - Repeals requirement for enrollment of 1.6 million in 1997 calendar year.
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CRP *(continued)*

Restrictions on Early Termination of CRP Contracts:

- **Contract in effect for at least 5 years.**
- **Land must have Erodibility Index ≤ 15 .**
- **Filter strips, waterways, riparian areas, windbreaks, shelterbelts, useful life easements, shallow water areas, wetlands and land, on average, within 100 feet of stream or permanent water body not eligible for early termination.**
- **Rental payments prorated according to portion of fiscal year contract was in effect.**

CRP *(continued)*

- **Land released not subject to more stringent conservation requirements.**
- **Approved contract terminations become effective 60 days after a producer's request is received.**
- **Prorated CRP rental payments are paid through the effective termination date.**
- **For 1996 spring planted crops, producers are permitted to plant as soon as acreage approved for early termination.**

CRP (*continued*)

- Producers who want to make CRP acreage eligible for FY 1996 contract payments must file a request to terminate by May 31, 1996.
- Producers terminating CRP contracts by May 31, 1996, are eligible to receive prorated rental payments and 1996 contract payments on terminated acres.
- Producers that terminate contracts after May 31, 1996, can elect to receive either prorated CRP rental payments or contract payments, but not both.

WETLAND RESERVE PROGRAM (WRP)

- **Authorized through 2002 with maximum enrollment of 975,000 acres.**
- **Easements: 1/3 Permanent
1/3 30-year
1/3 Restoration Agreements**
- **At least 75,000 acres must be enrolled in other than permanent easements before any additional permanent easements are accepted.**

ENVIRONMENTAL QUALITY INCENTIVES PROGRAM (EQIP)

- **EQIP replaces the Agricultural Conservation Program (ACP), Great Plains Conservation Program (GPCP), Water Quality Incentives Program (WQIP), and the Colorado River Salinity Control Program.**
- **Requires producers to develop and implement an EQIP plan for 5 to 10 years.**
- **50 percent of funding targeted to livestock**

EQIP (*continued*)

- **Assistance to producers through:**
 - * **Cost-share assistance.**
 - * **Incentive payments.**
 - * **education**
 - * **technical assistance**
- **Cost share assistance limited to not more than 75 percent of projected cost of structural practices.**
- **Authorizes \$130 million from CCC for FY 1996 and \$200 million for FY 1997-2002.**

CONSERVATION FARM OPTION (CFO)

- Establishes a pilot program for producers with Production Flexibility Contracts.
- Requires producers to develop and implement a conservation farm plan for 10-15 years.
- In exchange for CFO payments, producers forego participation and payments under CRP, WRP and EQIP.

CFO (*continued*)

- **CFO payments must be equivalent to payments producer would have received under CRP, WRP and EQIP, plus Production Flexibility Contract Payments.**
- **Authorizes CCC funds of:**
 - \$ 7.5 million for FY 1997**
 - \$15.0 million for FY 1998**
 - \$25.0 million for FY 1999**
 - \$37.5 million for FY 2000**
 - \$50.0 million for FY 2001**
 - \$62.0 million for FY 2002**

CONSERVATION COMPLIANCE

- Up to 1 year can be provided for the person to actively apply the conservation plan for the farm, if a person has acted in good faith and without an intent to violate.
- Provides for expedited procedures for granting temporary variances from conservation plans due to adverse weather. Decision in 30 days or the temporary variance is considered granted.

CONSERVATION COMPLIANCE *(continued)*

- **Allows county committees to provide appropriate relief where application of a conservation system would impose an undue economic hardship on the producer.**
- **Requires public notice of future changes in the technical standards and guidelines that affect swampbuster, conservation compliance, and CRP.**

WETLAND PROVISIONS

- **Allows wetland mitigation through restoration, enhancement, or creation as long as the wetland functions and values are maintained.**
- **Provides Secretary with broad discretion for waiving penalties for ineligibility for USDA program benefits when a violation occurs and in granting time to restore wetlands converted under good faith provisions.**

FLOOD RISK REDUCTION

- Secretary may enter into contracts with producers who have contract acreage that is frequently flooded.
- Participants receive not more than 95 percent of their contract payments and projected crop insurance payments.
- Participants agree not to receive any contract payments, commodity loans, crop insurance, conservation program payments, or any disaster program payments on the flood risk reduction acreage.

FARMLAND PROTECTION PROGRAM

- Requires the Secretary to purchase easements or other interest in land with prime, unique, or other productive soils which are subject to a pending offer by State or local governments to acquire the land to protect farmland from conversion to nonagricultural uses.
- Provides \$35 million in CCC funds for the purchase of easements or other interests on 170,000 to 340,000 acres.

EVERGLADES ECOSYSTEM RESTORATION

- Provides \$200 million to conduct restoration activities in the Everglades ecosystem.
- Establishes a special fund of not more than \$100 million derived from the sale of Federal property in Florida to be used for Everglades restoration.
- Program operated by the Secretary of the Interior.

WILDLIFE HABITAT INCENTIVES PROGRAM

- **Authorizes \$50 million during FY 1996-2002 to establish a program to make cost share payments to landowners to improve wildlife habitat.**

CONSERVATION OF PRIVATE GRAZING LAND

- **Requires that USDA personnel be available to provide technical assistance to owners and managers of private grazing lands.**
- **Authorizes funding of \$20 million for FY 1996, \$40 million for FY 1997, and \$60 million for each FY 1998-2002.**